

Phone: (415) 554-6511

Fax: (415) 554-6018

----- Forwarded by Jennifer Entine Matz/MAYOR/SFGOV on 02/04/2011 05:18 PM -----

From: Jennifer Entine Matz/MAYOR/SFGOV
To: April Veneracion/BOS/SFGOV@SFGOV
Cc: Todd Rufo/MAYOR/SFGOV@SFGOV, Amy B Cohen/MAYOR/SFGOV@SFGOV, Kelly Pretzer/MAYOR/SFGOV@SFGOV
Date: 02/02/2011 12:37 PM
Subject: Fw: Central Market Payroll Tax Exclusion (CMPTE)

Hi April,

Jane mentioned to the Mayor that she had not seen a copy of the proposed CMPTE legislation. The current version(s) are below, however she may want to wait and review the revised version we are working on. Per my conversation with Supervisor Kim and your conversation with Amy we are amending the legislation as follows:

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- changing the exemption to ONLY cover new payroll -- companies taking advantage of the CMPTE will be required to continue to pay their base payroll and would only be eligible for the credit on additional payroll

In addition, Amy Cohen is working on the terms of a community benefits agreement between the City and Twitter that will describe and memorialize Twitter's commitments to:

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- the methodology used to explain why this proposal will not reduce the general fund but will in fact increase revenue to the City (through increased property and sales and (potentially) hotel taxes that would not have occurred, but for this legislation)

Finally, per the Supervisor's request, I am asking the SF Mart building owner to commit to hiring union janitorial and security services for his building.

Jennifer Entine
Matz/MAYOR/SFGOV
02/04/2011 06:27 PM

To Jane Kim/BOS/SFGOV@SFGOV, April
Veneracion/BOS/SFGOV@SFGOV
cc Olga Ryerson/MAYOR/SFGOV@SFGOV, David
Chiu/BOS/SFGOV@SFGOV, Judson
True/BOS/SFGOV@SFGOV
bcc
Subject Central Market and Tenderloin Payroll Tax Exclusion

Hello Supervisor,

As promised, attached please find:

1) An updated version of the Central Market and Tenderloin Payroll Tax Exclusion, revised to include the changes you requested:



Central Market Street and Tenderloin Payroll Expense Tax Exclusion 2-4-11 net.doc

2) A description of the community engagement plan Twitter is eager to commit to:



Twitter Community Engagement Plan.doc

3) An in-depth memo describing the case for the Central Market and Tenderloin Payroll Tax Exemption:



Case for CMTPE.doc

We can condense this memo into a 1-2 page document, which might be more suitable for distribution. Let me know if you'd like that for Monday/Tuesday. Also, please let me know if you'd like us to participate in any way in the announcement/roll out of this initiative. Fingers crossed we are moving forward on Tuesday!

Have a good weekend.

Jennifer

Jennifer Matz
Director
Office of Economic and Workforce Development
City Hall
1 Dr. Carlton B. Goodlett Place, Room 448
San Francisco, CA 94102-4689



Amy B
Cohen/MAYOR/SFGOV
02/02/2011 02:27 PM

To April Veneracion/BOS/SFGOV@SFGOV
cc Kelly Pretzer/MAYOR/SFGOV@SFGOV, Todd
Rufo/MAYOR/SFGOV@SFGOV, Jennifer Entine
Matz/MAYOR/SFGOV, Sunny
bcc
Subject Re: Fw: Central Market Payroll Tax Exclusion (CMPTE)

April,

Quick addition to this note: Next Wednesday we have broad community meeting we're calling Central Market Partnership Monthly Update that will immediately follow the regularly-scheduled Mid Market Redevelopment Project Area Committee meeting. I have a few things on the agenda for the latter, but it could be a very useful venue for educating folks about the proposed payroll tax exemption. If you think this is appropriate, we can publicize this agenda item and you can encourage any of your constituents to come and attend the presentation, do Q&A with us, etc. If you want to wait until Friday to decide, that is more than enough time. I will follow up with you then.

I will have the flyer later today, but the meeting is the 9th at 6:30pm at the SF Furniture Mart building.

Thanks
Amy

Amy B. Cohen
Director, Neighborhood Business Development
Mayor's Office of Economic and Workforce Development
415-554-6649
amy.b.cohen@sfgov.org


Jennifer Entine Matz---02/02/2011 12:37:35 PM---Hi April, Jane mentioned to the Mayor that she had not s

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----- Forwarded by Jennifer Entine Matz/MAYOR/SFGOV on 02/02/2011 10:36 AM -----

From: Kelly Pretzer/MAYOR/SFGOV
To: Jane Kim/BOS/SFGOV@SFGOV
Cc: Jennifer Entine Matz/MAYOR/SFGOV@SFGOV
Date: 01/26/2011 06:09 PM
Subject: Central Market Payroll Tax Exclusion

Sup. Kim,
Please find attached to this email a copy of both the Central Market Payroll Tax Exclusion legislation as

well as the Central Market Payroll Tax Exclusion legislation with "net" language.

I'm happy to answer any questions that you might have.

Thanks,

Kelly

[attachment "Central Market Area Payroll Expense Tax Exclusion Net Language 1-21-11.doc" deleted by Amy B Cohen/MAYOR/SFGOV] [attachment "Central Market Area Payroll Expense Tax Exclusion 1-21-11.doc" deleted by Amy B Cohen/MAYOR/SFGOV]

Kelly Pretzer : Office of Economic and Workforce Development

www.owwd.org

O: (415) 554-6045

T: <http://www.twitter.com/kellypretzer>

Kim

Re: Fw: Central Market Payroll Tax Exclusion (CMPTE)

Amy B Cohen to: April Veneracion

02/02/2011 02:27 PM

Cc: Kelly Pretzer, Todd Rufo, Jennifer Entine Matz, Sunny Angulo

This message is digitally signed.

View: (Mail Threads)

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Kelly Pretzer : Office of Economic and Workforce Development

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O: (415) 554-6045

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April
Veneracion/BOS/SFGOV
02/02/2011 05:33 PM

To Jane Kim/BOS/SFGOV@SFGOV, Sunny
Angulo/BOS/SFGOV@SFGOV, viva.mogi@sfgov.org
cc
bcc

Subject Fw: Central Market Payroll Tax Exclusion (CMPTE)

FYI - latest on Twitter from MOEWD (see below). Sunny and I are making phone calls to invite folks to a community meeting Monday night 2/7 @ 6-8pm here at Rm. 278.

Bobbi - La Voz - No
Steve Woo - Yes
Lorenzo - Yes
Angelica - Maybe will update her
Allan - Yes
Rudy Corpus - LM
Raquel - Maybe
Conscious Youth Media
Luggage Store
Hospitality House
CHP - James Tracy
THC - Pertiva

I checked in with Jeff and Bobbi who both can't make it but gave ideas on community benefits. I have mentioned to people that I can that you will be introducing legislation on Tuesday, we want to hear their thoughts and concerns and ways to connect Twitter to community activities and priorities.

April Veneracion
Legislative Aide
Supervisor Jane Kim, District Six
San Francisco Board of Supervisors
(415) 554-7972 Office
(415) 554-7974 Fax
april.veneracion@sfgov.org

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MEMORANDUM

TO: Supervisor Jane Kim
FROM: Jennifer Matz
DATE: January 18, 2011
RE: Twitter retention efforts and proposed Central Market Payroll Tax Exemption

Twitter, founded in San Francisco in 2006, is in the advanced stages of selecting a location for a new headquarters of approximately 150,000 sq/ft with options that could go up to 500,000 sq/ft in future years. Twitter expects to reach 750 employees by July 2011, and estimates having 1,500 employees in July 2012 and surpassing 3,000 in 2013. Twitter is considering 2 buildings in San Francisco and 2 buildings south of San Francisco. The leading contenders are the SF Mart (Civic Center) and the former Walmart.com building (Brisbane). Twitter staff expects to present real estate options to their Board of Directors in the coming weeks and has told us they will make a decision in the next 45 days.

OEWD staff has been actively engaged with Twitter since February of 2009. Mayor Newsom visited their offices a number of times, and the City has worked with Twitter on a Twitter / 311 integration program. On October 14, 2010, Mayor Newsom met with Ali Rowghani, CFO of Twitter, to discuss their impending move. Mr. Rowghani disclosed that the SF Mart was the leading San Francisco location and emphasized four primary points of concern with the space: public safety, transportation, neighborhood conditions and, most significantly, cost. On October 29, 2010, Chief of Staff Steve Kawa, Assistant Deputy Chief Jeff Godown and I met with Mr. Rowghani and his staff. I attempted to address each of Twitter's four areas of concern and provided Twitter with the following information/proposals:

Public Safety: To support Twitter and its employees at the SF Mart, the San Francisco Police Department (SFPD) will extend its Mid-Market foot patrol boundary, which currently runs along Market Street between 4th Street and 9th Street, to include Market Street between 9th Street and 10th Street. This foot patrol provides 18 hours of coverage per day. In addition, the SFPD is in the process of establishing a police sub-station at the intersection of 6th Street and Market Street, which will provide additional increased service and patrol officer presence in the area.

Transportation: To better service Twitter and its employees at the SF Mart (and as part of the 2011 service restoration plan) the SFMTA is creating a 47A service line. The 47A will provide non-stop, express service between the Caltrain station at 4th Street and King St and the Civic Center BART Station at 9th Street and Market Street. The 47A will operate

during peak morning and evening commute hours and will be timed to Caltrain's arrival and departure schedule.

Neighborhood Conditions: In January 2010, Mayor Gavin Newsom announced the formation of the Central Market Partnership – a public/private initiative to revitalize the Central Market Street neighborhood with a focus on cultivating an eclectic, community-serving arts district. A goal of this initiative is to restore Central Market as the City's downtown arts district (which already includes key venues such as the Golden Gate, Orpheum, and Warfield Theaters, the EXIT Theatre, and several galleries) while attracting in new retail, restaurants, services and employers eager to take advantage of the neighborhood's central location and transit access. Tools at the disposal of the Central Market Partnership include an \$11.5 million loan fund targeted to small businesses in the area, the Better Market Street initiative, technical assistance and grant funding for arts groups looking to relocate to Central market and an NEA grant to undertake visible arts-oriented activities. In 2010, the Central Market Partnership has helped generate real momentum toward the transformation of the neighborhood: CityPlace, a 250,000 square foot retail project was approved for development; a handful of new restaurants and cafes have moved into the area; eclectic arts programming has enlivened the street.

Costs: The real estate Twitter is considering on Market Street is significantly more expensive than the real estate options in South San Francisco and Brisbane. In addition, unlike South San Francisco and Brisbane, San Francisco has a 1.5% Payroll Expense Tax. At the same time as OEWD began to engage with Twitter, the team working on the Central Market Partnership was seeking to develop tools to enhance business attraction activities to the Central Market Area. A "win-win" strategy was conceived to create a temporary Central Market Payroll Expense Tax Exclusion (CMPTE). The CMPTE would allow businesses operating in a designated area of Central Market to be excluded from the City's payroll expense tax. The CMPTE would offer qualifying businesses a payroll tax exclusion on qualified employees for up to eight (8) years. The Central Market area is defined as parcels fronting Market Street between 6th Street and 10th Street, as well as parcels on the north side of Market Street between Mason Street and 6th Street, a portion of parcels on the south side of Market Street between 6th Street and 5th Street, as well as the buildings at 875 Stevenson Street, 1 Taylor Street and 1 Jones Street. (A proposed boundary map is attached.) The exclusion would apply to employees who perform at least 90% of work time within the boundaries of the Central Market area.

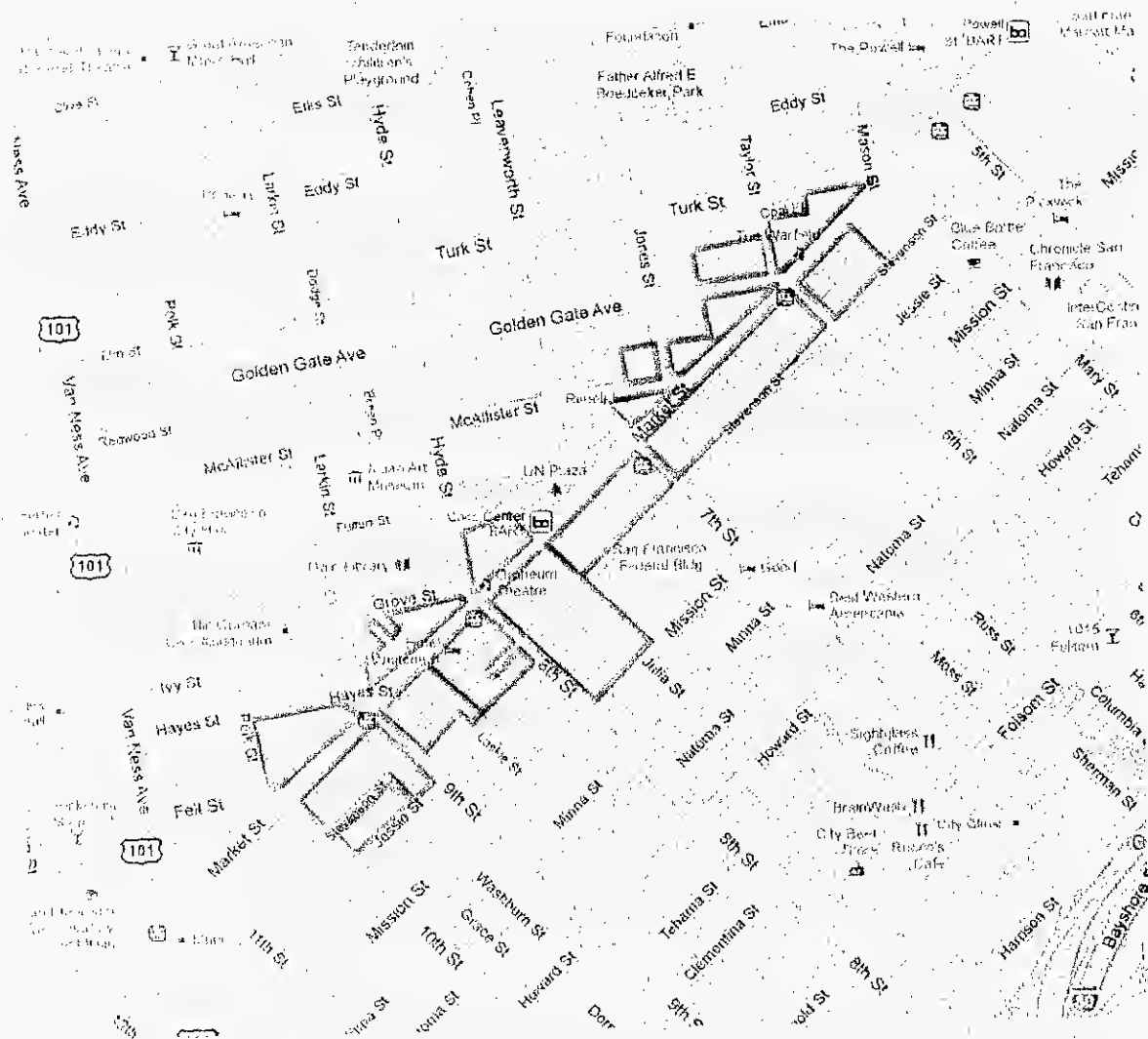
OEWD is currently working with the City Attorney's Office on *two* versions of a CMPTE (one version would exempt from payroll tax all jobs in the Area; the other version would exempt only "net-new" jobs subject to the Area) and brief descriptions of both options are attached to this memo. Also attached to this memo is preliminary economic and budget impact analysis of the CMPTE. OEWD is currently working with the Office of Economic Analysis and TTX on accurately estimating the potential economic and revenue impact of both versions of the proposal and I will share that information with you as soon as I receive it.

Attachments: CMPTE Summary, CMPTE Net New Summary, CMPTE Economic Impact

Attachment 1: Central Market Payroll Tax Exclusion – Summary Document

The Central Market Payroll Tax Exclusion (CMPTE) would exclude from the City's payroll expense tax all businesses operating in the Central Market Area for a period of 8 years.

- The Central Market Street Area includes parcels from Sixth Street to Tenth Street fronting Market Street, the north side of Market Street from Sixth Street to Mason Street, a portion of the south side of Market Street from Sixth Street to Fifth Street (odd numbered addresses from 999 – 933 Market St.), and the addresses 875 Stevenson Street, 1 Jones Street and 1 Taylor Street.
- The CMPTE will take effect upon signing, and will remain effective for 10 years. Businesses may claim up to 8 years of exclusion, commencing at any point during the 10 year effective period. However, businesses may not claim any unused portion of the exclusion after the legislation expires.
- "Qualified employees" is defined as employees who spend at least 90% of work time on activities directly related to the conduct of a trade or business located within the Central Market Street Area and perform at least 90% of work time within the boundaries of the Central Market Street Area.
- The process for claiming the exclusion is as follows:
 - o Complete and submit an initial application to OEWD for review and evaluation. OEWD notifies businesses of approval or disapproval.
 - o Businesses must file an annual Payroll Expense Tax Return with TTX regardless of the amount of tax liability shown on the return after claiming the exclusion.
 - o Each year after the initial approval, a business must file an annual affidavit with OEWD affirming that they continue to meet the eligibility criteria.
 - o Businesses must maintain a reasonable method of documentation that tracks employees whose compensation qualifies for the CMPTE, and provide such documentation to TTX upon request.
- The Tax Collector will submit an annual report to the Board of Supervisors for each year for which the CMPTE is available that sets forth aggregate information on the dollar value of the Central Market Street Area exclusions taken each year, the number of businesses taking the exclusion and the change in the number of Central Market Street Area businesses in the City.
- The Assessor-Recorder will submit an annual report to the Board of Supervisors for each year for which the CMPTE is available that sets forth any identifiable increases in property value resulting from Central Market Street business location, relocation or expansion.
- The Controller, after three years from the enactment the CMPTE, shall perform an assessment and review of the effect of CMPTE. Based on such assessment and review the Controller shall prepare and submit an analysis to the Board of Supervisors.
- The boundary map of the Central Market Street Area is below.



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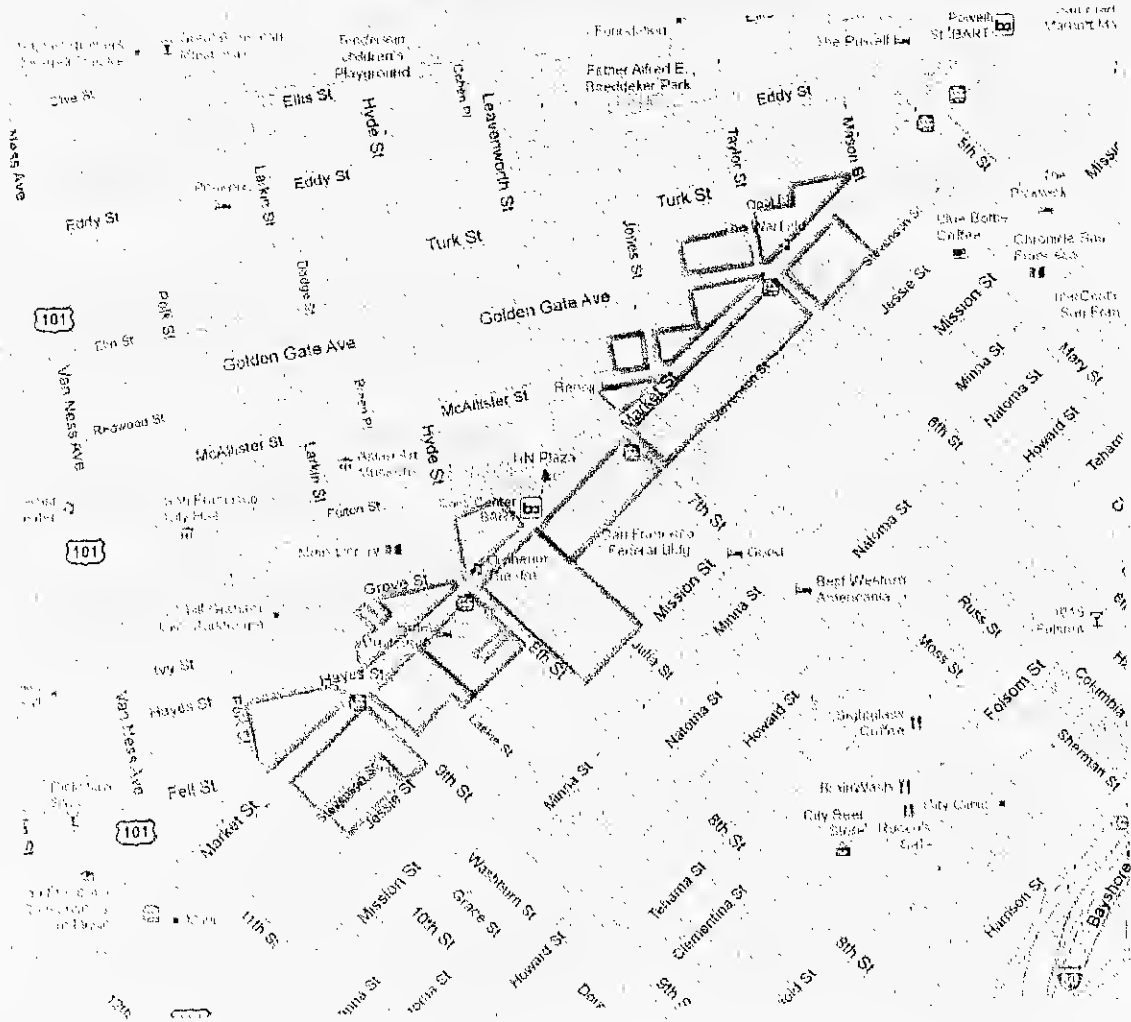
Attachment 2: Central Market Payroll Tax Exclusion – “Net New” Option – Summary Document

The Central Market Payroll Tax Exclusion (CMPTE) would exclude from the City’s payroll expense tax all net new employees to the Central Market Area for a period of 8 years.


- “Net new” employees are those who either: (1) are newly hired employees by an existing business operating in the Central Market Street Area (note that a business’ existing employees, hired prior to the effective date of this legislation, are not eligible or considered “net new”); or (2) are existing employees relocated from an area outside of the Central Market Street area into the Central Market Street area (note that these employees might have been hired prior to the enactment of the CMPTE, but are still considered eligible as they were not spending 90% of work time within the boundaries of the Central Market Street area prior to the enactment of the CMPTE).
- The Central Market Street Area includes parcels from Sixth Street to Tenth Street fronting Market Street, the north side of Market Street from Sixth Street to Mason Street, a portion of the south side of Market Street from Sixth Street to Fifth Street (odd numbered addresses from 999 – 933 Market St.), and the addresses 875 Stevenson Street, 1 Jones Street and 1 Taylor Street.
- “Qualified employees” is defined as employees who spend at least 90% of work time on activities directly related to the conduct of a trade or business located within the Central Market Street Area and perform at least 90% of work time within the boundaries of the Central Market Street Area.
- The CMPTE will take effect upon signing, and will remain effective for 10 years. Businesses may claim up to 8 years of exclusion, commencing at any point during the 10 year effective period. However, businesses may not claim any unused portion of the exclusion after the legislation expires.
- The process for claiming the exclusion is as follows:
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 - o Each year after the initial approval, a business must file an annual affidavit with OEWD affirming that they continue to meet the eligibility criteria.
 - o Businesses must maintain a reasonable method of documentation that tracks employees whose compensation qualifies for the CMPTE, and provide such documentation to TTX upon request.
- The Tax Collector will submit an annual report to the Board of Supervisors for each year for which the CMPTE is available that sets forth aggregate information on the dollar value of the Central Market Street Area exclusions taken each year, the number of businesses taking the exclusion and the change in the number of Central Market Street Area businesses in the City.
- The Assessor-Recorder will submit an annual report to the Board of Supervisors for each year for which the CMPTE is available that sets forth any identifiable increases in property value resulting from Central Market Street business location, relocation or expansion.

- The Controller, after three years from the enactment the CMPTE, shall perform an assessment and review of the effect of CMPTE. Based on such assessment and review the Controller shall prepare and submit an analysis to the Board of Supervisors.


- The boundary map of the Central Market Street Area is below.



Attachment 3: Preliminary Economic and Revenue Impact of the Central Market Payroll Tax Exemption

- Tax and Fee Revenues: While the CMPTE would exempt businesses from paying the City's payroll tax, businesses and property owners would still be responsible for property tax, utility-user tax (UUT), hotel tax, real estate transfer tax (should any buildings be sold) as well as costs from applicable permits and fees.

Example: Under the lease scenario proposed by Twitter for SF Mart, improvements made to 150,000 sq/ft of office would generate an estimated **\$436,500 in increased property taxes in year one alone** after reassessment. This would total \$3.4 million in property taxes over the proposed 8 year lease. Without Twitter, the building will likely remain vacant and the building improvements will not be completed by the property owner.
- Job Creation: Currently, Central Market has perpetually high vacancy rates in both retail and office. Some examples of vacant or soon to be vacant spaces are listed below. Leasing up just 20% of the 3 largest vacant office buildings space would result in an estimated 1,200 new jobs.
 - o 969 Market/Pearl Art Supply: 24,000 sq/ft on 3 floors
 - o 989 Market/Blick Art Supply: Approx 70,000 sq/ft
 - o 25 Taylor/Golden Gate Theater: 44,000 sq/ft on 6 floors
 - o 1028 Market/Hollywood Billiards: 30,000 sq/ft on 2 floors
 - o 1019 Market Street/Furniture and Carpet Building: 70,000 sq/ft on 6 floors
 - o 1 Jones/Hibernia Bank: 38,000 sq/ft
 - o 1275 Market / Former State Fund: 350,000 sq/ft of office
 - o 1155 Market / Former PUC Building: 160,000 sq/ft of office
 - o 1355 Market / SFMart: 1 million sq/ft of office
- Multipliers: Employees of Twitter and other firms attracted through the CMPTE would drive spinout economic benefits for neighboring businesses as employees buy food, utilize services and create more traffic in the area. As an example:
 - o OEWD estimates that if we create 300 internet-sector jobs in the City, this would create and sustain 400 additional jobs in San Francisco. These jobs would be created in such sectors as information, administrative and waste services, professional and technical services and retail.
 - o The creation of 300 internet-sector jobs in San Francisco would increase spending in the city by \$174 million annually (10-year average). (source: REMI model)
- Targeted Recruitment Program: Under the Central Market Plan, OEWD has lead a retail recruitment effort to fill vacant space in the Central Market. OEWD would pair this with an

aggressive office recruitment effort. The CMPTE would be an important business attraction tool. Target tenant types and specific potential tenants would include:

- Retail: Fresh and Easy
- Office: Technology, social media, creative / design
- 
- Art / Culture: Burning Man

Catalyst: Twitter is a tech industry leader that would anchor and catalyze an area that has no significant technology tenants. Twitter has a proven record of drawing other tech firms to co-locate in their current Folsom street location (NYT article below)

The New York Times

<http://www.nytimes.com/2010/11/12/technology/12valley.html>

November 11, 2010

Start-Ups Follow Twitter, and Become Neighbors

By CLAIRE CAIN MILLER

SAN FRANCISCO — When Joe Fernandez, a tech entrepreneur, moved his start-up here last spring, a big goal, he said, was “to be best friends with the Twitter guys.” His theory was that by hanging around with executives at one of the hottest tech companies today, some of the magic could rub off.

And so he snagged an office at 795 Folsom, Twitter’s headquarters in the SoMa neighborhood. There, he has been stalking executives on — where else? — Twitter, to see who is to visit Twitter’s offices. When he finds out, he pounces and “hijacks the meeting,” he said, by asking them to swing by his company, Klout.

By doing that, he has met Robert Scoble, the influential technology blogger, and Steve Rubel, director of insights for the digital division of Edelman, the big public relations firm, and has spotted Kanye West in the lobby on his way to Twitter.

Through elevator and lobby run-ins, he has also forged a close enough relationship with Twitter’s chief executive, Dick Costolo, that Mr. Costolo is helping Klout raise venture capital. “Now I have his cellphone, and I text him,” Mr. Fernandez said.

Mr. Fernandez is not the only Silicon Valley entrepreneur trying to follow Twitter — literally. Although the beige-and-brown office building at 795 Folsom doesn’t have a gym, a cafeteria, decent iPhone reception or a particularly attractive facade, tech start-ups are jostling to rent offices there. Like middle schoolers drawn to the popular kid’s table in the lunchroom, they are hoping that proximity to Twitter will lead to chance encounters in the elevator, partnerships or an acquisition — or simply that some of Twitter’s fairy dust will land on them.

Twitter moved into the sixth floor late last year, and expanded to the third floor in May. Among the start-ups that have moved in since are Klout, which helps marketers reach influential people on Twitter; Storify, a service for building online articles out of media like Twitter posts; and Liquid Traffic, an online marketing company. All say a top requirement in renting office space was to be near Twitter, which has attracted 175 million users in just a few years.

Several real estate firms that rent space in the building say they have noticed the Twitter allure.

“Our brokers have received a lot of calls about tenants just wanting to be close to Twitter, if not in the building, then nearby in another building, since they’re the new hot company,” said Victoria Burkheimer, vice president of acquisitions at Westcore Properties, which owns 795 Folsom.

Mr. Fernandez and other Twitter admirers see the irony in their desire for personal interactions with Twitter executives when their business is focused on building virtual relationships. “Even though it’s all about tech and the Internet, the real magic of Silicon Valley comes from people being in the same space,” said Burt Herman, co-founder of Storify.

And they may be on to something, said Mark Muro, a senior fellow at the Brookings Institution who studies the business effects of innovation clusters. Research shows that physical proximity — as close as working in the same building — leads to increased knowledge, productivity, income and employment, he said.

The phenomenon has been observed before — in the songwriting business, at Manhattan's Brill Building, for instance, and in science, at Los Alamos National Laboratory in New Mexico. But the draw to be near the cool kid in Silicon Valley may reflect the particular alchemy of business success here — a mysterious combination of timing, luck and the fickle preferences of users. And it may have particular resonance for fast-growing tech start-ups, Mr. Muro said.

"For certain early-stage insights and design matters in a very fast-moving, hot industry, the proximity, even at the room level and the elevator level, is important," he said.

Mr. Fernandez said he sees a definite payoff, even in more mundane matters. For example, he frequently hops in the elevator to visit Twitter to ask technical questions about the company's changes to its tools for software developers. "I think the person at the front desk thinks I work there," he said.

Andy McLoughlin, co-founder of Huddle, which makes workplace collaboration software and moved to the building in July, said, "It's certainly something that adds to the credibility of the address when you have people coming to see you, and you can say it's the Twitter building."

And the Twitter effect means he gets to meet other start-ups that have moved nearby. "The buzz of the area is palpable," he said.

Roxy Rosen, founder of Liquid Traffic, said her company had been in the building only since September, so had not yet had interactions with Twitter. But, she said, since every company she works with uses Twitter for marketing, as Twitter rolls out tools for businesses, she hopes to have contact. "It's more likely to happen here," she said, adding: "It's a very energetic spot. It makes you feel charged up when you walk in."

Another lucky office building, 165 University Avenue in Palo Alto, was the early home to tech triumphs like Google, when it employed just six people, PayPal and Logitech. Other start-ups flocked there, too, seeking a little of the sparkle. And demand has increased for office space near Microsoft, Oracle and Facebook, local real estate companies say.

The SoMa neighborhood (SoMa is a contraction of South of Market) has also attracted other hot Web start-ups, including Yelp, Eventbrite and Zynga, the online game maker that just leased a huge building nearby. In the last year, the vacancy rate for big buildings in the area has decreased to 21 percent from 26 percent, and average rent has increased to \$32 from \$29 a square foot, according to the CAC Group, a commercial real estate firm.

Asked whether Westcore had raised rent to take advantage of the Twitter effect, Ms. Burkheimer laughed and said, "No comment."

Still, just as the popular middle schooler moves on to high school, hot start-ups turn into big companies. With 300 employees and a rapid pace of hiring, Twitter will outgrow its 62,000 square

feet around next spring, Mr. Costolo predicted, and the company will either need to take over new space in the building or move elsewhere.

Mr. Fernandez said he was ready. "We've moved past just Twitter; we're on Facebook now," he said. "We need to establish our own identity. Right now we feel like we're in Twitter's basement like their kid cousin, so it'll be good."

Biz Stone, Twitter's co-founder, said he could understand why the younger start-ups would want to be physically close to his.

"We spent more money than we probably should have as a start-up to make everything feel as cool and pretty as we could, so people wake up in the morning and want to come to work," Mr. Stone said. "I'm not surprised other companies want to take advantage of all the mojo we put into the place. I would do the same thing."

